

Public Service Commission of Wisconsin  
Sur-surrebuttal Testimony of Jodee J. Bartels  
Gas and Energy Division

Wisconsin Energy Corporation  
Docket 9400-YO-100

March 11, 2015

1 Q. Please state your name.

2 A. My name is Jodee J. Bartels.

3 Q. Did you also provide direct and rebuttal testimony in this proceeding?

4 A. Yes.

5 Q. What is the purpose of your sur-surrebuttal testimony?

6 A. The purpose of my sur-surrebuttal testimony is to respond and, where necessary provide  
7 further clarification to issues raised in the surrebuttal testimony of Wisconsin Energy  
8 Corporation (WEC) witness Scott Lauber regarding certain of Commission staff's  
9 proposed conditions; specifically, Items 17, 52, 70, 75, 76, 77, and 87. I will also address  
10 a comment made in WEC witness John Reed's surrebuttal testimony regarding  
11 Wisconsin's merger standards.

12 Q. Do you have any general comments?

13 A. Yes. WEC's witnesses have repeatedly commented on the number of proposed  
14 conditions. Commission staff has worked very hard to propose only those conditions  
15 necessary to allow the Commission to find this acquisition in the public interest.  
16 Commission staff's intent is not to "overburden" the transaction but rather to provide a  
17 series of conditions that creates a path to approval.

18 Q. Do you have any general comments on the surrebuttal testimony of WEC witness Mr.  
19 Lauber regarding a number of your proposed conditions?

1 A. Yes. As I stated in my rebuttal testimony many of Commission staff's proposed  
2 conditions relating to the holding company, WEC Energy Group (WEC Energy) and the  
3 service company, WEC Business Services LLC (WBS), are standard conditions that have  
4 appeared in previous Commission orders. These conditions are standard and are there for  
5 a specific purpose. I will address each of the proposed conditions addressed in WEC  
6 witness Mr. Lauber's surrebuttal testimony.

7 Q. Please address **Item 17** – filing requirements for affiliated interest agreements.

8 A. The applicant states that there is full, unequivocal agreement on Item 17, as clarified by  
9 my rebuttal testimony (Sur-Rebuttal-WEC-Lauber-1 to 3). Yet, the applicant has  
10 rewritten Item 17. (WEC-Lauber- Exhibit 10) The rewrite changes the condition by  
11 generalizing it. Of course they are obligated to abide by the statutes. The point of the  
12 condition is that there are existing affiliated interest agreements that will, upon  
13 acquisition, require modification and the condition requires that the modifications be  
14 made. Additionally, upon acquisition and as the integration process precedes new  
15 agreements may arise. The condition is a more specific reminder than simple obligation  
16 to abide by the statutes. I prefer my language and do not believe we are entirely in  
17 agreement on Item 17.

18 Q. Please address **Item 52** – notice of any filing by any of the holding company or its  
19 subsidiaries with other state commissions and Federal Energy Regulatory Commission  
20 (FERC).

21 A. The applicant states that the utilities would work with the Commission to identify filings  
22 that meet the threshold of “relevance to the Commission’s authority and obligations”.  
23 (Sur-Rebuttal-WEC-Lauber-12) Again, **Item 52** is a notification requirement. Certainly

1       there may be types of filings that can be deemed irrelevant or inconsequential.

2       Commission staff is willing to work with the applicant to identify those as they arise. But  
3       without knowing the extent and type of filings it would be premature to make that  
4       decision now. To provide further clarification, the applicant should provide notice of all  
5       filings to start with. Over time the Commission can refine those filings it considers to be  
6       relevant.

7    Q.     Please address **Item 70** – cost allocation after down-sizing in any significant way.

8    A.     The applicant argues that I only site one similar condition and in that case the counterpart  
9       to Item 70 was proposed as part of a solution to a “trapped cost” problem that has been  
10       solved differently in this proceeding (Item 71), was accepted without contest following  
11       settlement discussions, and was deemed necessary pursuant to the Commission’s  
12       authority under the Holding Company Act, which WEC has expressly agreed to be bound  
13       by here. (Sur-Rebuttal-WEC-Lauber-13) The applicant goes on to comment that it is  
14       impossible to pre-commit to this condition without knowing the circumstances of the  
15       hypothetical downsizing and that the Commission will have full oversight authority over  
16       the service company’s cost allocations in the event of any downsizing. . (Sur-Rebuttal-  
17       WEC-Lauber-14)

18           The applicant is incorrect. My rebuttal testimony cites two other dockets (docket  
19       6680-AU-115 PSC REF#: 157493 and 6690-AU-114 PSC REF#: 163129) with similar  
20       conditions. (Rebuttal-PSC-Bartels-4-5) The applicant is also incorrect about the intent  
21       of Order Point 15 in the WPSR/PEC Final Decision. That order point does not deal with  
22       trapped costs; Order Point 13 does and Order Point 13 is the counterpart to proposed  
23       condition **Item 71** in this proceeding. Acceptance of this condition only means the

1 applicant is pre-committing to making its case. The applicant's continued reluctance to  
2 assume the burden of proof in a downsizing is troubling. The Commission's oversight of  
3 service company allocation is tempered by Section 1275 of the Energy Policy Act of  
4 2005, 42 U.S.C § 16462 which gives the Federal Energy Regulatory Commission final  
5 approval of service company allocations at the request of the holding company, the  
6 reason behind proposed **Item 71**.

7 Q. Please address **Item 75** – limiting service company to performing services where there  
8 are efficiencies and economies of scale that could not be achieved if the services were not  
9 performed by the service company.

10 A. The applicant states that qualitative reasons, in addition to quantitative reasons should be  
11 considered in whether or not the service company should perform certain services.  
12 (Sur-Rebuttal-WEC-Lauber-14) To accept this modification would undermine the  
13 purpose of the condition and give blanket approval for any inclusion of any services. I  
14 believe the solution is for the applicant to make a case for inclusion qualitative reason for  
15 a specific service that they would like the service company to perform when the issue  
16 comes up.

17 Q. Please address **Item 76** – services to companies that are not part of the holding company  
18 system.

19 A. The applicant states that a case by case determination is unacceptable to them, and if  
20 adopted would significantly complicate their business planning. (Sur-Rebuttal-WEC-  
21 Lauber-15). The service company's sole purpose is to support the holding company  
22 system, not to provide support to unrelated third parties, particularly if that support is  
23 significant. Assumedly, the concept behind the provision of service to Upper Peninsula

1 Power Company (UPPCO) by Integrys Business Services LLC (IBS) as part of the sale  
2 was that UPPCO was a shell company reliant on IBS for support. The provision of  
3 services for 18 months following the sale was to allow the purchaser to put those services  
4 in place or find another provider. The applicant states that as part of the sale of Presque  
5 Isle Power Plant (Presque Isle) and Wisconsin Electric Power Company (WEPCO) and  
6 Wisconsin Public Service Corporation (WPSC) distribution assets, they will be agreeing  
7 to provide certain services to the buyer, UPPCO. That the provision of those services is  
8 one of the fundamental assumptions upon which the transaction rests. Therefore, the  
9 applicant needs certainty about the scope and duration of such services that the  
10 Commission will allow. (Sur-Rebuttal-WEC-Lauber-15)

11 The applicant is asking the Commission to blindly make a decision on scope and  
12 duration of services that either the service company or the utilities can provide to UPPCO  
13 without any knowledge of the negotiations that are taking place or knowledge of what is  
14 being requested or offered. To do this is in direct violation of the concept of centralized  
15 service companies. Allowing the significant provision of services to an unrelated third  
16 party for any amount of time will raise questions of allocation and costs. Was equipment  
17 purchased or contracts entered into to serve that third party, were the costs appropriated  
18 isolated from allocation to the rest of the holding company system? Were equipment or  
19 employees employed to the service of that third party to the detriment of Wisconsin  
20 utilities? Was management of the holding company, service company, or utilities  
21 distracted from their primary duty? There are numerous reasons behind the prohibition  
22 of service to unrelated third parties. The fact that it may complicate the applicants  
23 business planning is inconsequential in the totality of the issue.

1 Q. Please address **Item 77** – Commission approval authority over all allocation methodology  
2 and factors.

3 A. The applicant continues to believe the proposed condition is unwarranted. (Sur-Rebuttal-  
4 WEC-Lauber-15) I disagree for the reasons stated in my rebuttal testimony. (Rebuttal-  
5 PSC-Bartels-11) Since the condition is conditional there is no harm in its inclusion and  
6 potential harm in its exclusion.

7 Q. Do you have any other concerns with the proposed conditions as clarified by the  
8 applicant?

9 A. Yes, I don't understand the classification of **Item 87** in Sur-Rebuttal-WEC-Lauber-5,  
10 which states that "**Item 87**—Synergy Savings – Transition Costs – Alternative (Bartels)  
11 (WEC accepted **Item 86** on this issue). It was my understanding that WEC accepted  
12 both **Items 86 and 87** individually. As long as my understanding is correct I have no  
13 issue with this item.

14 Q. Please address WEC witness Mr. Reed's characterization of your rebuttal testimony on  
15 Wisconsin's merger standards.

16 A. The applicant's characterization that the merger standard has "evolved" (Surrebuttal-  
17 WEC-Reed-3) is a mischaracterization of my rebuttal testimony which said: "I do not  
18 believe the standard of review has changed. However, over the years we have learned  
19 what works in terms capturing benefits and what does not. ..." This Transaction does not  
20 promise immediate savings but rather savings over the long term, five to ten years. I  
21 believe that any savings related to the Transaction that occur beyond the first couple of  
22 years will be hard to identify. Are the savings directly related to the Transaction or are

1           they savings associated with normal business practices?<sup>1</sup> It is because of the undefined  
2           long term nature of any merger/synergy savings estimated by the applicant that  
3           Commission staff recommends that more immediate and insurable benefits be captured  
4           for the ratepayers.

5                   **In summary, while the Commission’s standard of merger review has not**  
6                   **changed, Commission staff’s recommended method of capturing savings for the**  
7                   **ratepayers has evolved.”** (Rebuttal-PSC-Bartels-14)

8    Q.     Do you have any concluding comments?

9    A.     Yes. My silence on any surrebuttal testimony should not be construed as agreement with  
10           any particular position taken by any witness.

11   Q.     Does this conclude your sur-surrebuttal testimony?

12   A.     Yes, it does.

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<sup>1</sup> WEC witness Mr. Reed appears to agree: “It is likely that not all changes that occur in the future will be attributable to the merger.” Rebuttal-WEC-Reed 17.